

## Message Text

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ORIGIN EA-14

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FM SECSTATE WASHDC

TO AMEMBASSY SAIGON

INFO ALL EAST ASIAN AND PACIFIC DIPLOMATIC POSTS

AMCONSUL BIEN HOA

AMCONSUL CAN THO

AMCONSUL DANANG

AMCONSUL HONG KONG

AMCONSUL NHA TRANG

USDEL JEC PARIS

USSAGE NAKHOM PHANOM

CINCPAC HONOLULU HI

COGARD POLAD

XMT AMEMBASSY SUVA

UNCLAS STATE 045177

E.O. 11652- N/A

TAGS:PFOR, XC, US

SUBJECT: MARCH 6 EA PRESS SUMMARY

INDOCHINA

1. FANK COMMAND SAYS GKR MOVES TROOPS AGAINST NEW  
REBEL CUT ON ROUTE 4 WEST OF PP. EUROPEAN MIL OBSERVERS  
BELIEVE ROAD CUT SO REBELS CAN MOVE MEN AND SUPPLIES  
ACROSS (AP, SUN).

2. PP HOLDS, BRACES FOR NEW ATTACK. SOUTHERLAND  
(CSM) FROM PP REPORTS BIGGEST OFFENSIVE YET AGAINST  
CAPITAL "CLEARLY FAILED," BUT MILITARY EXPERTS BELIEVE  
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ANOTHER WILL COME WITHIN NEXT FEW MONTHS. FANK BLUNTED

DRIVES AND NOW HAMMERS AT POCKETS OF RESISTANCE TO NW AND SOUTH OF PP. SOUTHERLAND SAYS "GENERALLY AGREED" THAT IF REBELS PUSHED SIMULTANEOUSLY FROM NW AND SOUTH, OFFENSIVE MIGHT HAVE SUCCEEDED; REBELS HAVE "LOT TO LEARN- ABOUT COORDINATING OPERATIONS, WHILE FANK SHOWS IMPROVED ABILITY TO USE ARTILLERY. GKR WILL PROBABLY SURVIVE DRY SEASON, HAS "FAINT HOPE" THAT REBELS MAY NEGOTIATE IF IT DOES. BUT REBELS BELIEVE CAN WIN MILITARILY SINCE KEEP ROUTE 4 CLOSED, CAN CAUSE HEAVY DAMAGE TO MEKONG CONVOYS, GET ENOUGH SUPPLIES FROM NVN, AND ARE CONVINCED THAT "UNPOPULAR" AND "CORRUPTION-RIDDEN" GKR WILL COLLAPSE. REBEL

LEADERS FEAR NEGOTIATIONS MAY GIVE REAL POWER TO SIHANOUK, WHO IS USEFUL BECAUSE OF INTERNATIONAL PRESTIGE BUT NOT TRUSTED. FACTIONALISM ON BOTH SIDES COMPLICATES SEARCH FOR PEACE. SO BOTH SIDES RECRUIT TO REPLACE LOSSES, AND INTELLIGENCE REPORTS INDICATE REBELS SEND FRESH BATTALIONS TO PP AREA FOR ANOTHER ROUND.

3. HUGHES (CSM) SAYS REBELS GIVE UP PRETENSE OF LOYALTY TO SIHANOUK, QUOTES SOUTHERLAND REPORT THAT REFUGEES SAY REBELS SPEAK WITH CONTEMPT OF PRINCE, WARN HE WOULD "OPPRESS THE PEOPLE AS BEFORE" IF RETURNED TO POWER. SIHANOUK FREQUENTLY INDICATES FROM PEKING THAT HIS ALLIANCE WITH COMMUNIST-LED INSURGENTS "LESS THAN WARM." REBELS EARLIER PROMOTED PRINCE BECAUSE OF HIS POPULARITY AMONG KHMER PEASANTS, THOUGH HE WAS ENEMY BEFORE OVERTHROW. NOW LESS NEED TO PUSH SIHANOUK WITHIN CAMBODIA, THOUGH REBEL LEADERS STILL SEEK TO USE HIS INTERNATIONAL PRESTIGE.

4. BECKER (WP) FROM WEST OF PP REPORTS REBEL UNIT REPRESENTATIVES AWAIT APPROVAL FROM GKR ON MASS DEFECTION OF 10,000, INCLUDING FAMILIES. UNIT CHIEF SAYS GROUP WILL JOIN GKR IF ALLOWED TO CONTROL ITS AREA IN WEST CAMBODIA; ADDS THAT BAND IS NATIONALIST, NOT COMMUNIST, AND "NEVER FRIENDS OF THE NORTH VIETNAMESE." NEGOTIATIONS UNDER WAY FOR TWO WEEKS, INFORMED SOURCES SAY DEFECTION UNCLASSIFIED

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ACCEPTED "IN PRINCIPLE" BY GKR. CHIEF GIVES NO REPLY WHEN ASKED WHAT WOULD DO IF GKR DISAPPROVES HIS SCHEME FOR LOCAL AUTONOMY; SAYS "KHMER ROUGE" KNOWS OF DEFECTION INTENTION AND HE EXPECTS THEM TO ATTACK. OBSERVERS BELIEVE NATIONALISTS LOST IN STRUGGLE TO CONTROL INSURGENCY AND COMMUNISTS PRESS NATIONALISTS TO MAKE GREATER SACRIFICES ON FRONT LINES, SO DEFECTIONS MAY BECOME MORE FREQUENT. LIFE HARD ON "OTHER SIDE"

FOR NATIONALISTS SINCE "KHMER ROUGE" PROVIDE INSUFFICIENT FOOD AND AMMO. BECKER COMMENTS THAT DEFECTION WOULD BE LARGEST OF WAR, BUT DOES NOT SURPRISE GKR; QUOTES LONG BORET THAT MORE DEFECTIONS BY NATIONALISTS EXPECTED.

5. ISAACS (SUN) FROM PP REPORTS US PAYING TWICE FOR RICE DISTRIBUTED TO REFUGEES. QUOTES US EMBASSY THAT DOUBLE PAYMENTS ARE PART OF COMPLEX AID BOOKKEEPING AND WITHOUT IT US AID WOULD HAVE TO GO THROUGH OTHER CHANNELS TO HELP MEET GKR DEFICIT, SO SYSTEM DOES NOT COST US TAXPAYER MORE. ISAACS SEES VOLAGS BEING USED AS CONDUIT FOR FUNDS TO GKR THAT "CAN BE USED

FOR MILITARY PURPOSES." US-PURCHASED RICE FOR REFUGEES ENTERS UNDER FOOD-FOR-PEACE PROGRAM AND GKR "PAYS" FOR IT WITH LOCAL CURRENCY, MOST OF WHICH IS RETURNED TO GKR FOR USE UNDER US SUPERVISION. VOLAGS USE SUCH "COUNTERPART" TO RE-PURCHASE RICE FROM GKR AT SUBSIDIZED PRICE - SO US IN EFFECT BUYS IT TWICE: ONCE ON WORLD MARKET AND AGAIN IN CAMBODIA. NO ESTIMATE AVAILABLE FOR QUANTITY INVOLVED, BUT AMOUNTS ARE SUBSTANTIAL AND GROWING.

6. ARVN SOURCES SAY COMMUNISTS ASSASSINATE FOUR GVN HAMLET OFFICIALS IN BINH DINH PROVINCE, ATTEMPT TO KILL TWO OTHERS. GVN COMMAND SENDS ARVN OFFICERS TO STRENGTHEN HAMLET SECURITY FOLLOWING INCIDENTS (UPI, PHINQ). POW EXCHANGE NEARS COMPLETION, BOTH SIDES AGREE TO NEW TALKS ON PRISONER QUESTION (AP, SUN).

7. GRAY (CSM) FROM CAMBRIDGE, MASS., TELLS OF JEAN-PIERRE DEBRIS WHO ACCUSES US OF CONTINUING INVOLVEMENT IN SVN PRISON SYSTEM IN VIOLATION OF C-F. DEBRIS UNCLASSIFIED

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WAS TEACHER IN SAIGON, JAILED FOR TWO YEARS FOR DEMONSTRATION AGAINST GVN CORRUPTION DURING WHICH HE UNFURLED NLF FLAG IN DOWNTOWN SAIGON AND DISTRIBUTED PEACE PAMPHLETS. SAYS KEY POLITICAL OPPONENTS, INCLUDING MAJORITY OF NEUTRALISTS, IN GVN PRISONS SUPPORTED BY US, AND IN HIS OPINION US CLOSE TO RESUMING MIL INVOLVEMENT.

8. MCCOMBS (WP) FROM SAIGON WRITES OF INFLATION AND UNEMPLOYMENT THAT TRAP MANY IN SVN ECON CRUNCH. QUOTES ECONOMISTS AND "AVERAGE CITIZENS" WHO PREDICT THAT TOO-PAINFUL SQUEEZE COULD CAUSE SOCIAL AND POLITICAL UPHEAVALS AND THREATEN GVN STABILITY AND SVN SURVIVAL. NIXON, US DIPLOMATS AND OTHERS BELIEVE FREE, THRIVING SVN WOULD PROVIDE IMPORTANT JUSTIFICATION FOR WAR,

BUT NOW ECON SITUATION GREATER THREAT THAN COMMUNISTS.  
PRICE INCREASES, LOWER ECON AID, LITTLE INVESTMENT,  
HIGH IMPORT REQUIREMENTS AND LOW EXPORTS ARE ALL  
PART OF PROBLEM. STANDARDS OF LIVING FALL AND MIDDLE-  
CLASSES SELL OFF PROPERTY TO LIVE, LOWER CLASSES  
PINCHED, POPULATION GROWS AND UNEMPLOYMENT HIGH.  
THIEU SHUFFLES CABINET BUT PROBLEMS OVERWHELMING.  
ECONOMISTS SAY SVN COULD BECOME "MECCA" FOR LABOR-  
INTENSIVE INDUSTRIES BUT WAR KEEPS POTENTIAL INVESTORS  
AWAY. CIVIL SERVANTS AND MILITARY LIVING STANDARDS  
FALL AS PRICES RACE AHEAD OF PAY RAISES. ECON PINCH

MAKES HEADLINES IN SAIGON PAPERS. MCCOMBS GIVES  
EXAMPLE OF CAB DRIVER CAUGHT IN SQUEEZE, WHOSE WIFE  
WOULD LIKE TO GIVE CHILDREN AWAY.

9. NVN LEADERS OUTLINE ECON PLAN FOR RECONSTRUCTION  
AND DEVELOPMENT OVER NEXT TWO YEARS. US ANALYSTS  
BELIEVE RESOURCES REQUIRED BY PLAN LOWER PROBABILITY  
OF BIG OFFENSIVE IN SVN THAT EARLIER SEEMED LIKELY.  
HANOI PLANS INVOLVE FLOOD CONTROL ON RED RIVER, CITY  
RECONSTRUCTION, HOUSING, UTILITIES AND AMENITIES  
FOR POPULATION (AP, CSM).

JAPAN

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10. EXXON IS TELLING JAPANESE IT WILL CUT CRUDE  
OIL DELIVERIES BY 15 PERCENT, STARTING THIS MONTH,  
UNLESS JAPAN REMOVES PRICE FREEZE ON REFINED OIL  
PRODUCTS, ACCORDING OIL AGENCY DIRECTOR GENERAL EIJI  
YAMAGATA IN PRESS CONFERENCE TUESDAY. SHELL ALSO  
TALKING OF SUPPLY CUTS. EXXON PUBLIC RELATIONS OFFICIAL  
TECHNICALLY DENIED THE REPORTED THREAT, SAID EXXON  
"NEVER SERVED A NOTICE" OF 25 PERCENT SUPPLY CUTS  
BUT TOOK NO RESPONSIBILITY FOR WHAT AFFILIATE MAY  
HAVE SAID. THE "MAJORS" ARE CONCERNED BECAUSE A  
CONSIDERABLE PORTION OF THEIR PROFITS COMES FROM  
SALES OF THESE PRODUCTS THROUGH THEIR JAPANESE AFFILIATES.  
GOJ WANTS TO DELAY HIKES ON ECONOMIC, POLITICAL AND  
SOCIAL GROUNDS - INFLATION, LABOR'S ANNUAL "SPRING  
OFFENSIVE", AND COMING ELECTIONS. HOWEVER, MITI  
OPPOSES DELAY IN PRICE RISE AND PUBLIC HAS LITTLE  
SYMPATHY FOR JAPANESE OIL FIRMS BECAUSE THEY PROFITEERED  
LAST FALL (CSM, POND).

11. JAPANESE BROKERAGE HOUSES HOPE RECENT REMOVAL  
OF US INTEREST EQUALIZATION TAX WILL BRING AMERICAN  
INVESTORS BACK TO TOKYO STOCK MARKET. AMERICANS

STILL SEEM RELUCTANT, DESPITE SOLID PERFORMANCE OF  
JAPANESE MARKET THIS YEAR (WSJ).

12. THE SOUTHERNMOST JAPANESE ISLAND OF KYUSHU,  
ORDINARILY "DEPRESSED-, APPEARS TO BE WEATHERING  
THE ENERGY CRISIS MORE EASILY THAN OTHER PARTS OF  
JAPAN (KIRK, CHITRIB).

AUSTRALIA

13. AUSTRALIA AND TWO AFRICAN COUNTRIES ASK HOUSE  
AGRICULTURE COMMITTEE  
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## Message Attributes

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